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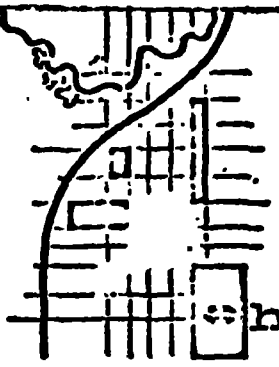

Shenehon · Goodlund · Johnson, Inc.

Real Estate Analysts.

877-8967 • 2801 WAYZATA BOULEVARD, MINNEAPOLIS, MINNESOTA 55405

MARKET VALUE APPRAISAL

Republic Creosoting Company Real Estate
7200 Walker Street
St. Louis Park, Minnesota

401869

Shenehon - Goodlund - Johnson, Inc.

Real Estate Analysts

377 - 6887 • 2801 WAYZATA BOULEVARD, MINNEAPOLIS, MINNESOTA 55405

July 29, 1971

Mr. Herb Finch
Republic Creosoting Company
Division of Reilly Tar & Chemical Corporation
7200 Walker Street
Minneapolis, Minnesota

Re: Market Value Appraisal of the Republic Creosoting Company Real Estate Located at 7200 Walker Street, in St. Louis Park, Minnesota.

Gentlemen:

We have completed an appraisal of the above captioned property, as you requested. The attached report of 76 pages presents the findings, analyses, and conclusions of our appraisal, and fully identifies the subject property.

The purpose of this appraisal is to estimate the market value of the fee simple interest in the subject property. The appraisal is made, subject to certain assumptions and limiting conditions which are listed in the report.

In our opinion, the subject property has a market value, as of July 29th, 1971, of:

ONE MILLION TWENTY FIVE THOUSAND DOLLARS----------($1,025,000.00)

Composed of:

Land Value	@	$1,025,000.00
Building Value	@	$ -0-

Our value estimate is made after a personal inspection of the property. We have no present or contemplated future interest in the subject property, nor is our fee contingent on reporting a predetermined value or upon the amount of value reported. This appraisal has been made in conformity with the standards of professional conduct and practice of the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards, and of the Society of Real Estate Appraisers.

We have taken reasonable care in verifying the factual data presented in the report and believe it is reliable. Professional ethics prohibit us from revealing the conclusions of this report to other persons without your permission. The value conclusion of this report is our estimate based on accepted real estate appraisal practice. We believe that the subject property will sell, should it be offered, at about this value but no guarantee is in any way implied or warranted.

If you have questions or comments after reading the appraisal report, please contact us.

Very truly yours,

SHENEHON-GOODLUND-JOHNSON, INC.

Howard E. Shenehon

Howard E. Shenehon, SREA, MAI

James D. Kramer

James D. Kramer, Appraiser

:baj

401871

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APPRAISER'S DEFINITION OF MARKET VALUE

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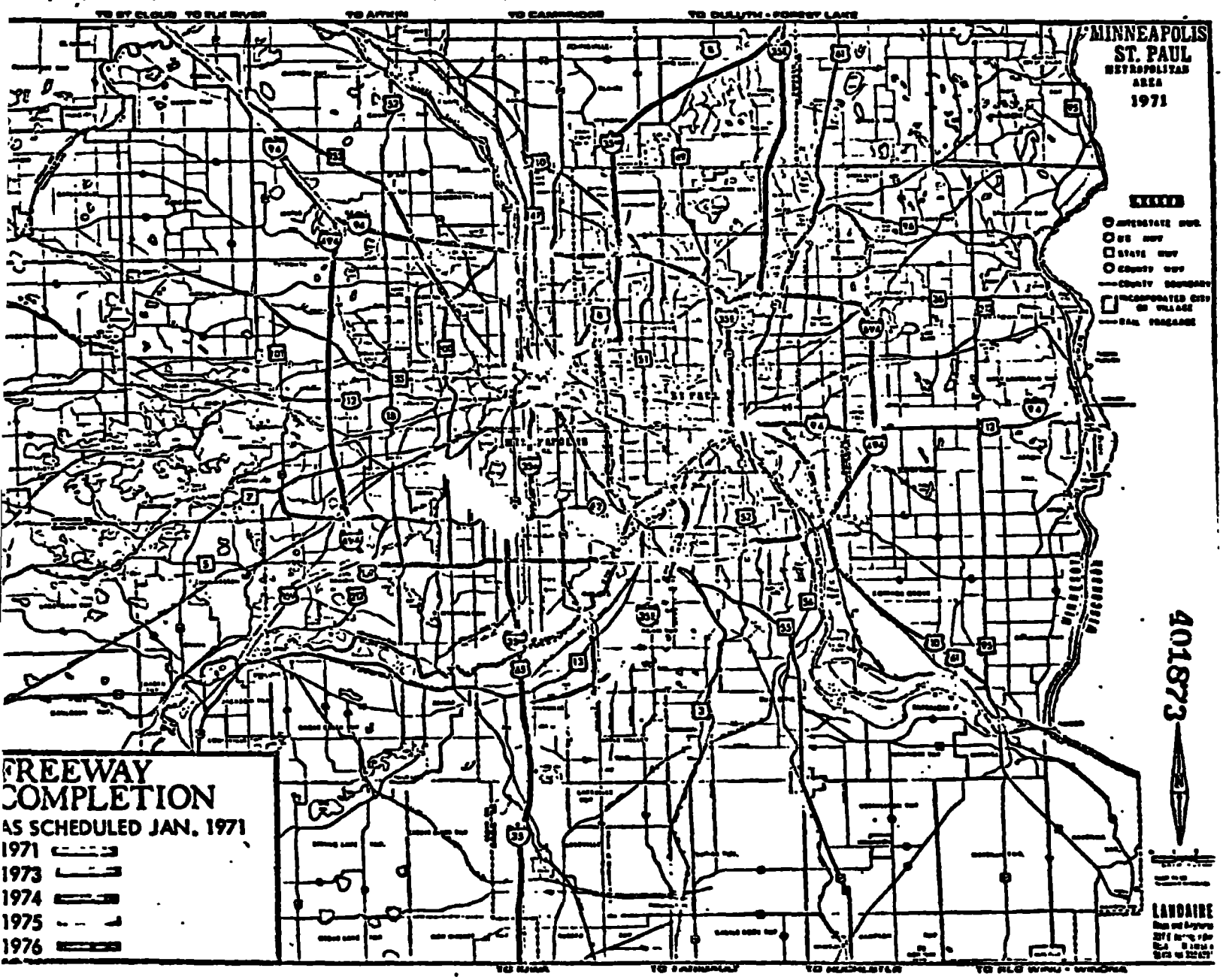
Fair market value is defined as "The highest price estimated in terms of money which the property will bring if exposed for sale in the open market by a seller who is willing but not obligated to sell, allowing a reasonable time to find a purchaser who is willing but not obligated to buy and who buys with the knowledge of all the uses to which it is adapted and to which it is capable of being used."

REAL ESTATE TAX STRUCTURE BASED ON THE ASSESSMENT PAYABLE IN 1971

Legal Description: Lot 1 in Auditor's Subdivision Number 281, and Lots 25 - 48 in Block 306 in Rearrangement of St. Louis Park, Hennepin County, Minnesota.

Owner of Record: Republic Creosoting Company

		District 46, Plat 49920, Parcel 1000, Lot 1	District 46, Plat 51905, 24 parcels, Parcels 0010 thru 0240	Total
Assessor's Estimate of Market Value:	Machinery	$ 59,400	$ -0-	$ 59,400
	Land	$1,530,000	$ 39,600	$1,569,600
	Building	$ 546,900	$ -0-	$ 546,900
	Total	$2,136,300	$ 39,600	$2,175,900
Full & True Value @ 33-1/3% of Market Value:				
	Machinery	$ 19,800	$ -0-	$ 19,800
	Land	$ 510,000	$ 13,200	$ 523,200
	Building	$ 182,300	$ -0-	$ 182,300
	Total	$ 712,100	$ 13,200	$ 725,300
Assessed Value @ 40% Full & True:	Total	$290,120.00		
General Real Estate Tax payable in 1971:	Total	$93,056.92 @ 4.28% of market value.		
Assessments payable in 1971:	Total	$2,506.14		
Total Real Estate Tax payable in 1971:	Total	$95,563.06		
Remaining unpaid special assessments:	Total	About $15,000.00		


TO ST CLOUD
TO ELK RIVER
TO ATWATER
TO CAMBRIDGE
TO DULUTH - FOREST LAKE
MINNEAPOLIS
ST. PAUL
METROPOLITAN
AREA
1971
TO ROSE
TO FARIBAULT
TO ROCHESTER
TO RED WING - WINONA
FREEWAY
COMPLETION
AS SCHEDULED JAN. 1971
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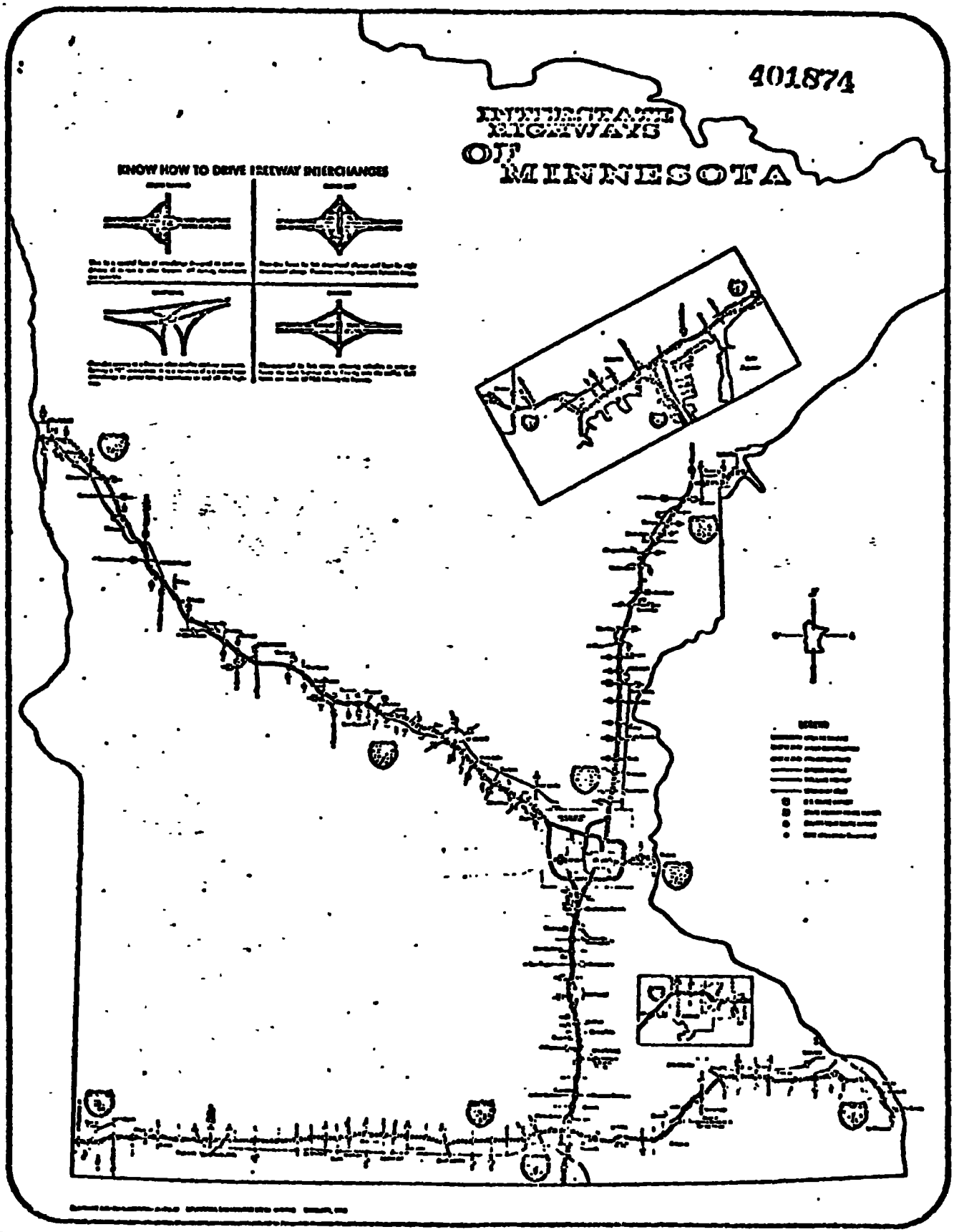
INTERSTATE HIGHWAYS OF MINNESOTA



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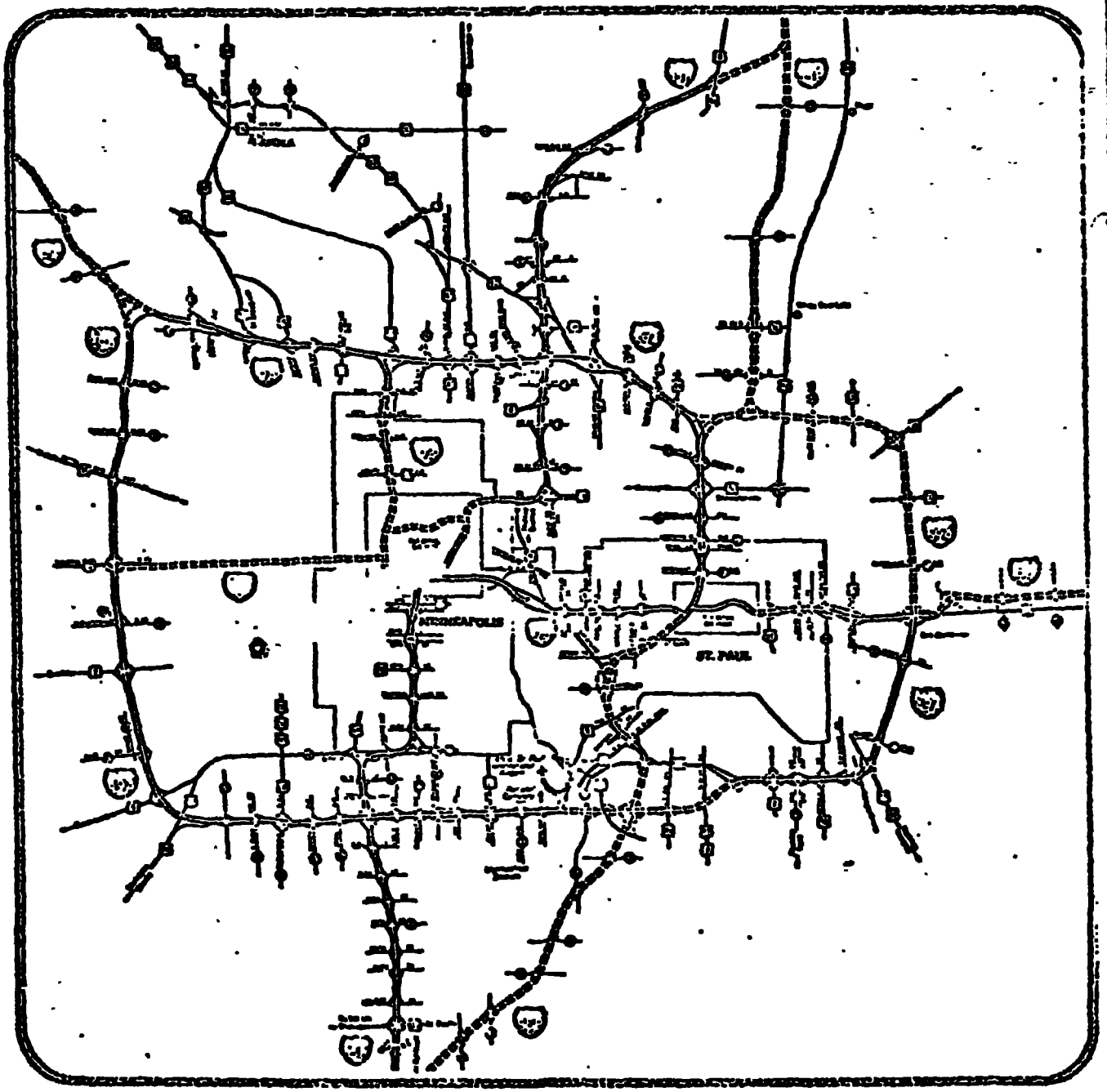
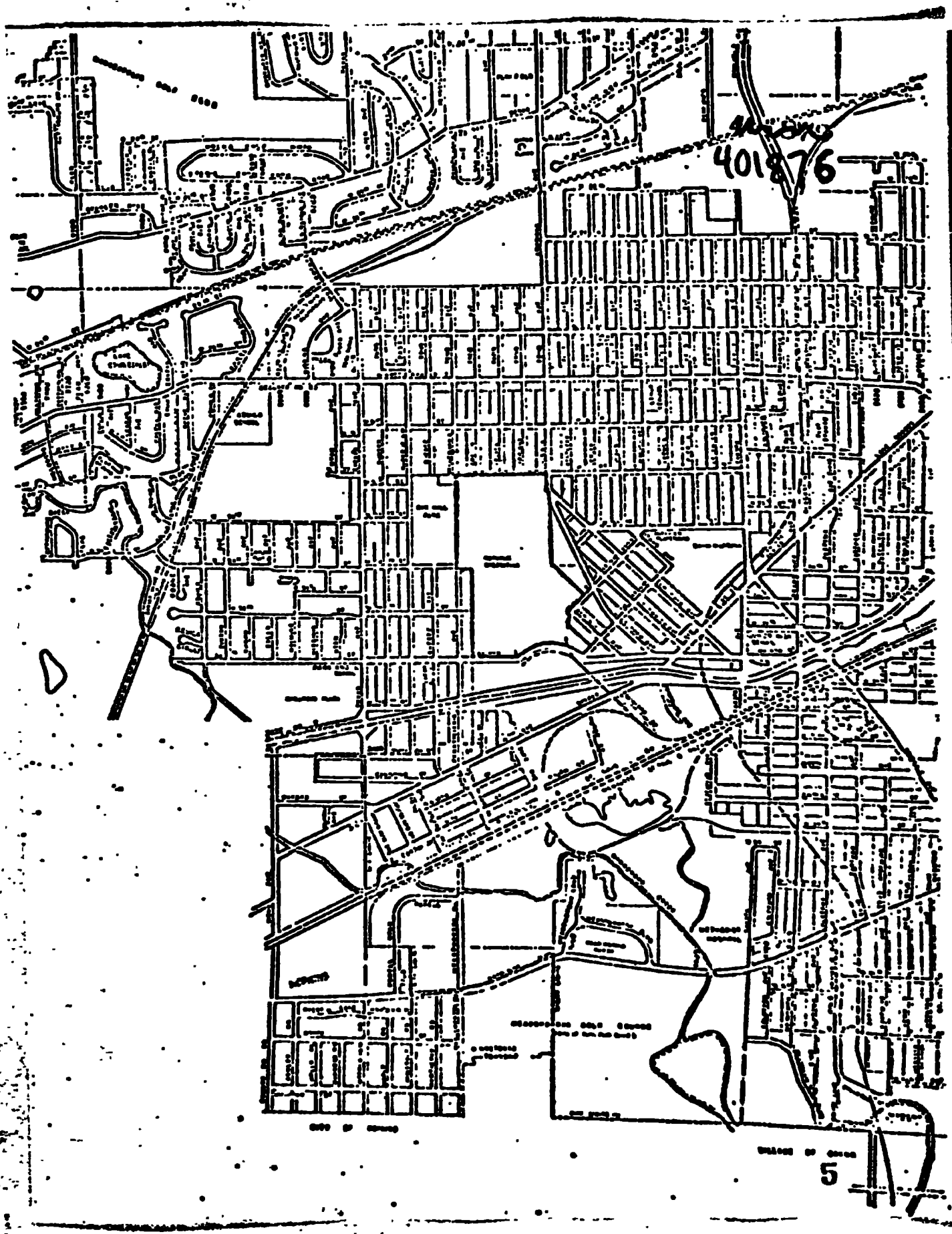
ST. PAUL–MINNEAPOLIS METROPOLITAN AREA

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REPUBLIC CREOSOTING COMPANY

PLANT OPERATION AND PROPERTY DESCRIPTION

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The Republic Creosoting Company started business in about 1916 at this St. Louis Park location, and 1971 is about their 55th year of operation. This business consisted primarily of two parts, one of which was the distilling of coal tar in the refinery operation, and the other was the creosote treatment of cross-ties & timbers in the treating plant. The 1969 gross annual revenues for this business totaled about $2,300,000.00 to $2,400,000.00 composed of about 50% generated by the refinery operation and 50% generated by the treatment operation. About 98% of the treating business results from contracts with the Soo Line Railroad, Milwaukee Railroad, Chicago Northwestern Railroad, Wheeler Lumber Bridge & Supply Company, and others, while the remaining 2% is non-contract business. About 25% of the total treatment business is with Wheeler Lumber Bridge & Supply Company.

The refinery operation processed about 400,000 gallons of coal tar per month. This distillation process generates the two basic products which are creosote oil and the residual electrode binder pitch along with some roofing pitch.

The coal tar is stored in several large tanks until it is pumped into the stills in the refinery. Each still has a capacity of 5,200 gallons and it takes two days to complete a run, one for boiling out the liquids and one for removing the carbon coke residue.

The liquids were in the past graded according to boiling point, the first portion was used in the now non-existent By-Products plant, while the last is used for the treating of wood. The distilled creosote oils are used in the treating plant and are also sold to various other treating companies and other businesses. The By-Products department was formerly used, a great deal, for further refining of the light coal tar oils but, for business reasons, this operation was discontinued.

Only four of the former 16 stills are capable of being operated. The other twelve stills have been removed and their portion of the building is not now in use. The remaining four stills need to be completely rehabilitated and this was reportedly under consideration. The numerous tanks are used for the storage of coal tar and creosote oil. Most of the tanks were purchased second-hand and all are over 30 years old. Several storage tanks have been removed, some will be removed in the near future, and many are not used to capacity. The refinery building is quite obsolete, and reportedly this operation would not require a building to house the equipment if it were constructed at the present time.

The treating operation involves the utilization of most of Republic Creosoting land area. Nearly all of the railroad ties now stored on the storage yards are owned by the railroads. The wood cross-ties in inventory are typically owned by the following entities:

Soo Line Railroad
Chicago Northwestern Railroad
Milwaukee Railroad
Republic Creosoting Company

The cross-ties have to age and dry out for about 12 to 14 months before the wood will accept creosote treatment when the fiber saturation point of about 35% is reached. When the cross-ties are ready for treatment, they are picked up by lift trucks and thereafter reduced in size to the specified size, have 16 holes bored in them, 8 at each end, then are transferred to the Treating Building where the ties are put into the three retorts and are subjected to high pressure and heat which forces the creosote oil into the wood over an 8 to 24-hour time period. The treated cross-ties are thereafter immediately loaded into railroad owned open cars from the long dock and removed by the individual railroads. This treatment operation costs the railroads about $2.00 per tie. In addition, the company owns about 200 to 300 piling poles which are stored in the north yard. Other wood products stored in the north yard on the 24± acres leased to Wheeler Lumber Bridge & Supply Company are owned by that company, and not by the Republic Creosoting Company.

The Republic Creosoting Company business has in the past prospered at its present location due primarily to factors which are associated with business and not real estate or other capital assets. One of these factors is the unique railroad situation. The Milwaukee Railroad and the Chicago Northwestern Railroad both serve this property, and the Soo Line Railroad, while not on direct line, has agreements with the other two railroads that benefit the Republic Creosoting business. Agreements that were contracted between the Republic Creosoting Company and those three railroads that accrue only to the corporation and not to the real estate have been unchanged over the last thirty or so years. These tariff agreements mean that the Republic Creosoting Company, instead of a typical line haul switching charge of about $80.00 to $90.00 per car, is instead charged only about $13.00 per car for a switching charge. In addition, the Republic Creosoting Company's property is within the Minneapolis switching limits because of its past contracts and this is an operating advantage. These railroad advantages do not benefit the real estate as much as they do the business since if the real estate or land was redeveloped, the new owners would have to pay the current much higher railroad switching charges.

Another important factor for the Republic Creosoting Company's business is its relationship with the Wheeler Lumber Bridge & Supply Company. For the past 30 or so years, the Wheeler Lumber Bridge & Supply Company has leased about 24 acres of land from Republic Creosoting Company along with buildings, some of which were razed in 1963 and replaced in 1966 by new facilities including a 50-ft. by 200-ft. warehouse. The total real estate rental has been about $3,245.52 per year net, and this does not include any rental for the 24 acres of land. This rental does not economically reflect the value of the real estate leased by the Wheeler Lumber Bridge & Supply Company, but the difference apparently at least is made up by the business that Wheeler Lumber Bridge & Supply Company does with Republic Creosoting Company. The Wheeler Lumber Bridge & Supply Company uses creosoted lumber for the construction of bridges for State, County, and local units of government.

Some of the problems that the Republic Creosoting Company encounters are related to its particular business, ordinance problems in St. Louis Park, and site problems. The creosote treatment business has, of recent times, been quite variable with many treatment plants going out of business. A treatment plant in Tama, Iowa recently went out of business and its improvements were sold at auction at scrap prices; and this also was the fate of a Riverton, Wyoming treatment plant. A more local example is the National Pole plant in Fridley which went out of business in about 1962 due to a reduction in cross-tie purchases by its customer railroads and a desire to reinvest its assets in other investments. National Pole sold its improvements to a purchaser as scrap, razed the buildings, and sold the land to the Onan Corporation for their new plant site. The spur trackage was either sold at scrap prices and/or removed or buried by the purchaser. All the improvements of National Pole were sold at scrap prices and this is fairly good example of the speculative nature of this creosote treating business.

Another problem that has plagued the Republic Creosoting Company is the St. Louis Park ordinance. For many years, citizens have complained about air pollution emanating from the refinery and city officials have been closely checking soil and air for pollution. Pressure has been applied in the past by the City and will continue unabated in the future. This will no doubt result in demands for added capital expenditures by the company for pollution control equipment which will not give any added return to its business. This is an example of obsolescence in this plant.

A major problem for the Republic Creosoting Company is its site. Much of the site is lower than the surrounding St. Louis Park land area, and it appears to be a natural drainage area with a high water table, sometimes above ground level. Formerly much of the land area was swamp and the subsoil conditions range from acceptable to very poor in a variable pattern. The wet, peaty soil results in places in spur tracks sinking in the ground, to unacceptable elevations, and in the lower levels of stored cross-ties sinking into the ground. Reportedly about 30% of the existing spur track in the yard area will be removed in the future and sold as scrap since it inhibits the operation of the lift trucks which are more efficient for material transfer than the spur tracks. Reportedly, surface water drainage from the surrounding neighborhood finds its way to and collects on the subject property. There is no storm sewer serving the subject property, but one is contemplated by St. Louis Park to be installed in the near future at a cost to the subject property of about $150,000.00 to $200,000.00, equal to about $0.043 to $0.057 per sq.ft. of land area. This future storm sewer assessment may or may not benefit the Republic Creosoting Company business equal to its cost, but it will no doubt add to the land value. The site is not serviced by sanitary sewer but this does not adversely affect the business to any noticeable extent. City water has been servicing the property for the last few years. The added piling and foundation costs that will accrue to future developments on the 80.6-acre tract are traditionally and currently so reflected, in this report, as a discount to the land value. Many of the buildings now on the site have piling to depths of 30 feet or more.

In spite of the obsolete improvements and equipment, the Republic Creosoting Company in recent years has been profitably operating and has employed about 90 employees. Over 90% of the building area is over 50 years old and the equipment is nearly all over 30 years old since purchase and much of it was purchased second-hand, as was nearly all of the railroad spur track. It is quite apparent that this business has, up until this time, been able to quite uniquely utilize this type of capital asset, and it probably could continue to do so with improvements and replacements over the reasonably near future. The Republic Creosoting Company is definitely a special purpose property, and it is our opinion that no other purchaser or user could profitably use these improvements except the Wheeler Lumber Bridge & Supply Company's 10,000 sq.ft. leased warehouse. If a straight line depreciation was used on the improvements based on their respective ages vs. economic lives, the improvements would nearly all be 100% depreciated. We estimate that nearly all the improvements are 100% depreciated with the exception being the Wheeler warehouse which is fairly new. We have analyzed several special purpose industrial properties and submitted them elsewhere in this report. These industrial sales are similar to the Republic Creosoting Company's real estate; and they indicate that the improvements are depreciated at the time of sales at 90% to 100% levels. These comparable sales, in our opinion, lend a measure of support to our estimate of depreciation. Many of the elements of value for the Republic Creosoting Company improvements are related to business factors and have value only as long as the business is continued.

The numerous Republic Creosoting Company improvements that are subject to this appraisal are hereafter listed and described to a limited extent. The land value is separately appraised, based on comparable land sales. Supporting data, such as comparable land and building sales, are submitted elsewhere in this report.

SUMMARY OF REPUBLIC CREOSOTING COMPANY IMPROVEMENTS

RAILROAD TRACKS

1. Standard gauge; 70# railroad spur track including rails, ties, & ballast; 16,713 lineal feet.
2. Narrow gauge; 20# railroad spur track including rails, ties, & ballast; 22,160 lineal feet.
3. Special narrow gauge within standard gauge spur track including rails, ties, & ballast; 2,476 lineal feet.
4. Standard gauge switches & frogs; ten are fee-owned.
5. Narrow gauge switches & frogs; seventeen.

STORAGE TANKS

6. Concrete tar cistern: 333,000-gal. capacity, but only 178,000-gal. usable capacity.
7. Storage #1: 20'-0" diameter x 20'-0" height. 47,040-gal. capacity; usable; steel/wood base; 1-inch insulation; age @ 1919.
8. Storage #2: 23'-11" diameter x 28'-6" height. Steel/wood base; insulated; usable; age @ 1919. 95,788-gal. capacity.
9. Storage #3: 54'-1" diameter x 30'-0" height. Steel/wood base; not insulated; age (used) @ 1919. 539,980-gal. capacity. Poor condition but partially usable.

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Storage Tanks - Cont'd.

10. Storage #4: 38'-0" diameter x 29'-0" height. Steel/concrete base; insulated; age @ 1918; usable. 246,036-gal. capacity.
11. Storage #5: 40'-0" diameter x 25'-0" height. Steel/wood base; insulated; age @ 1918; usable. 235,000-gal. capacity.
12. Storage #6: 40'-0" diameter x 25'-0" height. Steel/concrete base; not insulated; usable; age @ 1918. 235,000-gal. capacity.
13. Storage #7: 27'-4" diameter x 23'-0" height. Steel/concrete base; not insulated; usable; age @ 1922. 100,924-gal. capacity.
14. Storage #8: 27'-4" diameter x 23'-0" height. Steel/concrete base; not insulated; usable; age @ 1923. 100,924-gal. capacity.
15. Storage #9: 21'-1" diameter x 20'-0" height. Steel/concrete base; not insulated; age @ 1928; bad condition; contains sludge & water. 50,580-gal. capacity.
16. Ground Tank #1: 5'-9" diameter x 10'-0" length. Steel; buried; purchased second-hand in about 1920. 3,120-gal. capacity.
17. Ground Tank #3: 6'-2" diameter x 58'-6" length. Steel; buried; age @ 1920 +. 13,079-gal. capacity.
18. Ground Tank #4: 6'-2" diameter x 65'-5" length. Steel; buried; age @ 1920. 14,616-gal. capacity.
19. Ground Tank #5: 7'-5" diameter x 16'-0" length. Steel; buried; age @ 1920.. 5,200-gal. capacity.
20. Tank #27: 10'-0" x 35'-0"; steel. 20,551-gal. capacity.
21. Tank #28: 11'-0" x 27'-0"; steel. 16,185-gal. capacity.
22. Tank #29A: 11'-0" x 27'-0"; steel. 7,000-gal. capacity.
23. Tank #29B: steel. 9,165-gal. capacity.
24. Storage #11: 7'-8" diameter x 28'-2" height. Riveted steel. 10,047-gal. capacity.
25. Storage #12: 7'-8" diameter x 28'-2" height. Riveted steel. 10,047-gal. capacity.
26. Storage #13: 7'-2" diameter x 32'-3" height. Riveted. 10,089-gal. capacity.
27. Storage #14: 7'-5" diameter x 32'-2" height. Riveted. 10,624-gal. capacity.
28. Storage #15: 7'-8" diameter x 28'-2" height. Riveted. 10,032-gal. capacity.
29. Storage #16: 7'-8" diameter x 28'-2" height. Riveted. 10,032-gal. capacity.
30. Storage #18: 12'-6" diameter x 28'-0" height. 25,704-gal. capacity.
31. Storage #19: 12'-6" diameter x 28'-0" height. 25,704-gal. capacity.
32. Storage #20: 15'-0" diameter x 23'-0" height. Insulated. 30,404-gal. capacity.
33. Fuel Oil - G.T. #13: 5'-6" x 22'-0"; welded; buried; 4,000-gal. capacity.
34. D.O.: 9'-0" x 21'-0"; welded; 10,035-gal. capacity.
35. Gas Tank: 7'-9" x 33'-6"; riveted; buried; 12,086-gal. capacity.
36. Storage Tank #1 - Treating Plant: 20'-0" diameter x 20'-0" height; riveted steel; insulated; concrete base; 47,000-gal. capacity.
37. Storage Tank #2 - Treating Plant: 20'-0" diameter x 15'-0" height; riveted steel; insulated; concrete base; 35,000-gal. capacity.
38. Storage Tank #3 - Treating Plant: 20'-2½" diameter x 20'-0" height; riveted steel; insulated; concrete base; 47,785-gal. capacity.
39. Storage Tank #4 - Treating Plant: 20'-0" diameter x 20'-0" height; riveted steel; insulated; concrete base; 26,200-gal. capacity.
40. Storage Tank #5 - Treating Plant: 21'-1" diameter x 20'-0" height; riveted steel; insulated; concrete base; 50,580-gal. capacity.
41. Storage Tank #6 - Treating Plant: 12'-6" diameter x 24'-6" height; steel; welded; concrete base; not insulated; 20,303-gal. capacity.

Total Storage Tanks, 2,468,880-gal. capacity; equivalent to about 330,000 cubic feet.

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FENCING

42. Treated posts; 10-ft. apart; woven wire; barbed wire on top; very poor condition; replacement has been actively considered; 6,300±lineal feet.

SMOKE STACKS

43. 5-ft. diameter x 100-ft. height in 1958; plus 5-ft. diameter x 85-ft. height in 1939; Total of 185 feet @ $135.00 per foot including wires cost.

BUILDINGS

44. Loading Dock: 650' length x 32' width x 3' height. Concrete construction over fill & 196 piles. 20,800 sq.ft.
45. Office and Laboratory Building: Two levels; age @ 1916-1922; brick & concrete construction; unfinished basement; partially finished upper level; creosoted block floor; 44.0' x 56.7' x 2 = 4,990 sq.ft.; Say, 5,000 sq.ft. GBA.
46. Blacksmith Shop and Washroom Building: One-story; age @ 1916-1922; masonry walls & floor & ceiling; basically unfinished; 46' x 26' = 1,196 sq.ft.; Say, 1,200 sq.ft. GBA.
47. Garage: About 6 stalls; masonry construction throughout; age @ 1916-1922; 52.8' x 26.8' = 1,415 sq.ft. GBA.
48. Tar Shed Building: Steel frame; age @ before 1920; sheet iron exterior; poor condition. 77' x 28' x 25' height + 25' x 16' x 20' height = 2,556 sq.ft. GBA.
49. Fire Pump House: Brick & concrete; 18' x 25'; age @ before 1920; gross building area = 450 sq.ft.
50. Scale House: Age @ 1920±; masonry construction; 14' x 14' x 10' height = 196 sq.ft. GBA.
51. Refinery Building: 289' x 78'-5" + 42'-7" x 10' x 15-ft. to 30-ft. high. Brick & concrete construction; creosote block floor; houses 4 stills, condensers, and boilers; designed for 16 stills but only 4 are in operation; about 50 years old; poor condition; 23,114 sq.ft. GBA.
52. Boiler & Pump Building: Brick walls; age @ early 1920's; concrete floor & roof; piling foundation; 71'-7" x 47'-5" x 25'± height + 10' x 27'-8" x 10' height = 3,684 sq.ft. GBA.
Boilers & Controlls: One @ 310 h.p. plus one @ 110 h.p.; 30 years old; $30,000.00 cost new, less 11% already reflected in base costs. 11% for heating buildings and 89% for manufacturing.
53. Tank House: Steel frame; about 50 years old; sheet iron exterior; 59' x 37'-5" x 25'± height = 2,213 sq.ft. GBA.
54. Locomotive House: Brick walls; concrete foundation on piling; age @ about 1925; wood annex; 19'-8" x 22' x 12' height + 8' x 13' = 540 sq.ft. GBA.
55. Adzing & Boring Mill Building: Age @ 1930±; brick & masonry construction; concrete foundation on piling; 12' to 20' height; 31' x 63' + 12'-5" x 20'-3" = 2,207 sq.ft.; Say, 2,200 sq.ft. GBA.
56. Incising Building (Old): Masonry construction; one-story; over 50 years old; 34'-8" x 35'-7" = 1,242 sq.ft. GBA.
57. Treating Retort Building: Brick wall with ½-inch insulation; concrete floor; concrete foundation on piling; steel frame roof supports; insulated roof designed to conserve the heat of the cylinders; age @ 1914; 112 piles 30-ft. long. 197'-8" x 32' x 10'± height = 6,330 sq.ft. GBA.

Buildings - Cont'd.

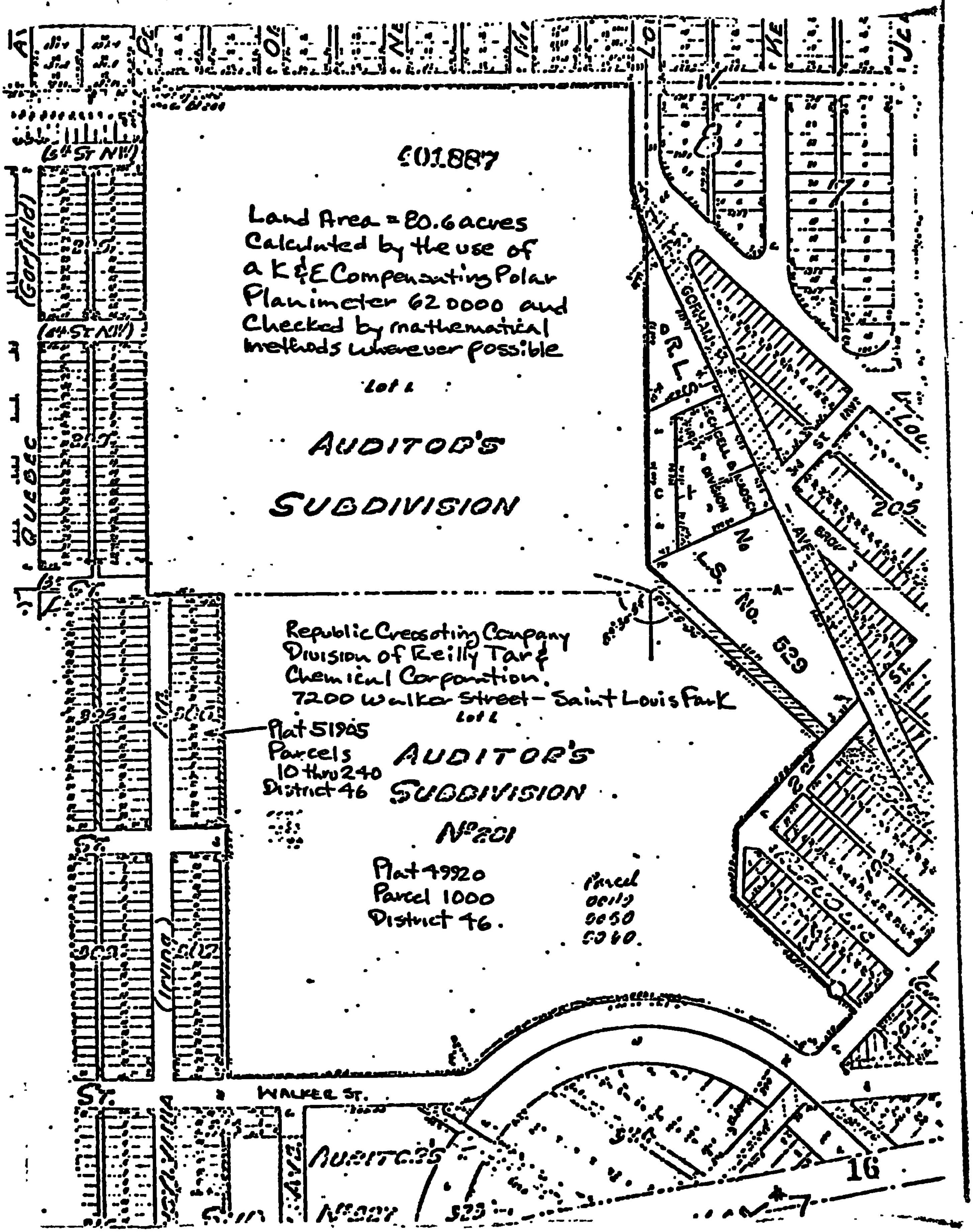
58. Washroom and Lunchroom Building: One-story; masonry construction; over 20 years old; structural cracks due to poor subsoil; plumbing & heating; 46' x 26' = 1,196 sq.ft.; Say, 1,200 sq.ft. GBA.
59. Incising Building #2: Age @ 1967; metal; concrete floor; unheated; (removable). 20' x 24' = 480 sq.ft. GBA.
60. Pitch Pan (Tar Cooling) Building: Age @ 1957; concrete foundation; loading dock; metal exterior; gable roof; fair condition. 36'-5" x 88' = 3,212 sq.ft. GBA.
61. Storage/Sheds/Sawbuildings, etc.: Older; generally poor condition; wood and metal construction.

    (a) Planer Building @ 17' x 13'
    (b) Tool House @ 16' x 10'±
    (c) Sawmill @ 13'-5" x 14'-5"±
    (d) Car Puller House, South @ 12' x 15'±
    (e) Car Puller House, North @ 8' x 15'±
    (f) Hoist House @ 8' x 18'±
    (g) Wood Shed @ 24'-3" x 23'
    (h) Lift Truck Garage @ 24' x 14'
    (i) Planer Shed @ 10' x 23'±
    (j) Planer Building @ 8' x 10'
    (k) Sawmill @ 18' x 22'-9" + 8' x 10'
    (l) Saw & Boring Shed @ 40' x 13'±

    Total Miscellaneous Sheds @ 3,238 sq.ft.; Say, 3,250 sq.ft. GBA.

62. Wheeler Warehouse: Age @ 1966; cost new @ $27,796.00; 50' x 200'; 12-inch concrete block walls; unfinished interior; concrete floor; gable roof; no heat; minimum lights; no plumbing; could be sold separately from main plant; 10,000 sq.ft. GBA.
63. Wheeler Lumber Storage: Age @ 1964; 1967 Addition; pole construction; metal gable roof; two metal walls open on two sides; concrete floor; no heat, lights, or plumbing; 75'-5" x 119' + small shed of about 10' x 12' = 8,748 sq.ft.; Say, 8,750 sq.ft. GBA.
64. Wheeler Garage Building: Metal walls & roof; concrete floor; age @ early 1960's; wood post & beam; three truck doors; unfinished interior; 90'-5" x 35' = 3,168 sq.ft. GBA.
65. Wheeler Office Building: Concrete block & stucco walls; gable roof; age @ 1957±; double-hung windows; lunchroom; toilet; locker room; 18' x 20' + small hall of 15 sq.ft. = 375 sq.ft. GBA.

    Total Gross Building Area Excluding Dock Area = 80,573; Say, 80,500 sq.ft. GBA.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Land Area = 80.6 acres
Calculated by the use of
a K&E Compensating Polar
Planimeter 620000 and
Checked by mathematical
methods wherever possible
Lot 1
AUDITOR'S
SUBDIVISION
Republic Creosoting Company
Division of Reilly Tar &
Chemical Corporation.
7200 Walker Street – Saint Louis Park
Lot 1
Plat 51905
Parcels
10 thru 240
District 46
AUDITOR'S
SUBDIVISION
No 201
Plat 49920
Parcel 1000
District 46.
Parcel
0010
0050
0060
WALKER ST.
QUEBEC
(Garfield)
(64 ST NW)
205
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MARKET VALUATION ANALYSIS

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For the purposes of this analysis, it is our opinion that a well-informed investor would plan on recapturing the initial investment in the subject industrial park land on a demand oriented basis through sales or development over about a 5-year period of time at the rate described in the following Valuation Analysis, with the retail land values for an industrial building site increasing on the average at the rate of plus ten percent per year from the $1.00 per sq.ft. land value that is estimated for the year 1972, assuming special assessments paid and soil corrected. The land development costs which include streets, curbs, gutters, sanitary sewer, storm sewer, city water, street lighting, and engineering costs are assumed to be completely capitalized and paid for as of the date each site is completely developed or sold with initial costs which are estimated at about 20¢ per sq.ft. of net land area for the year 1972, with soil correction costs similarly capitalized amounting on the average to about 30¢ per sq.ft. of net land area in 1972 rising also at 10% per year.

In this valuation analysis, the projected gross retail land sales proceeds generated by the sale of the industrial land after all land development costs are paid are valued by discounting the respective future annual gross land sales proceeds over the projection period, by a factor which includes a gross return on and recapture of that portion of the real estate investment related to each of the respective projected gross land sales proceeds. This valuation process results in the present worth or market value of the series of gross income payments over the projection period, and reflects an ownership position for the real estate free and clear of encumbrances such as mortgage debt. The market value of the real estate estimated by this valuation analysis is equal to the sum of the present worth of the series of gross annual income payments resulting from the projected future sale of the real estate, and is subject to the successful completion of the industrial park development.

In our opinion, based on the hereinafter submitted market data, a reasonable and currently competitive discount rate which can be utilized in this valuation analysis for this real estate investment is 25%. The discount rate of 25% is used in obtaining the appropriate present worth factors which will be applied to respective projected future investment proceeds. The present worth factor can be obtained from several sources, one of which is the Financial Compound Interest and Annuity Tables, Fourth Edition, as published by the Financial Publishing Company of Boston; and the appropriate present worth factors are utilized in the following valuation analysis.

The Republic Creosoting Company land area is 80.6 gross acres and, based on recent industrial park developments, about 75 net acres after roads can reasonably be projected for sale as industrial sites after necessary roads are installed amounting to about 7% of the gross land area. Based on a study of available market data, it is our opinion that about 15 industrial sites of about 5.00 net acres each can be sold or developed in this proposed industrial park at the rate of about three transactions per year, over a 5-year development period with the first full year's sales proceeds being received as of July 30, 1972. Much of the data supporting these assumptions is hereinafter submitted in this report. The total land development costs amount to the 30¢/sq.ft. soil correction costs + 20¢/sq.ft. for all other assessments for a total of 50¢/sq.ft. for the first full year in 1972. This land development program is projected at the average rate of 15 acres per year which is equal to about 653,400 sq.ft. per year.

The total land development costs are projected at about 50¢/sq.ft. x 653,400 sq.ft., or $326,700.00 for the first year of sale.

For the purpose of this land value analysis, the $40,000.00 estimated removal costs at about 50¢/sq.ft. for the 80,500± sq.ft. of building area and an estimated $15,000.00 costs at about 45¢/sq.ft. for removing the storage tank are assumed to be offset by the depreciated value of the newer 10,000 sq.ft. Wheeler Warehouse building, while the salvage value of the railroad tracks probably would offset their removal costs. The existing improvement value would offset the improvement removal costs which will allow the land to be redeveloped.

t Valuation Analysis - Continued

TION ANALYSIS FOR THE SUBJECT INDUSTRIAL PARK LAND

ption of Parcel dustrial Land d or Leased	Sale Proceeds or Equivalent Ground Lease Value Received On These Dates	Net Land Area in Sq.Ft.	Sale Proceeds or Ground Lease Value $/Sq.Ft. (+10%/Year)	Sale Proceeds or Ground Lease Value Total	Less Land Development Costs Paid in Year of Transaction (+10%/Year)	Projected Investment Return to be Discounted	Present Worth Factor @ 25% Discount	Present W or Market V of Each Fu Investment
irst year's ale of 3 sites.	7/30/72	653,400	X $1.00 =	$ 653,400	- ($ 326,700) =	$ 326,700	X 0.800 =	$ 261,3
econd year's ale of 3 sites.	7/30/73	653,400	X $1.10 =	$ 718,740	- ($ 359,370) =	$ 359,370	X 0.640 =	$ 229,9
hird year's ale of 3 sites.	7/30/74	653,400	X $1.21 =	$ 790,614	- ($ 395,307) =	$ 395,307	X 0.512 =	$ 202,3
ourth year's ale of 3 sites.	7/30/75	653,400	X $1.33 =	$ 869,022	- ($ 434,838) =	$ 434,184	X 0.410 =	$ 178,
ifth year's ale of 3 sites.	7/30/76	653,400	X $1.46 =	$ 953,964	- ($ 478,322) =	$ 475,642	X 0.328 =	$ 156,
ls for this 5-Year Development		3,267,000 Sq.Ft. 75.0 Acres	X $1.22 Average Sales Proceeds =	$3,985,740 Retail Value Land	- ($1,994,537) @ $0.61 per Sq.Ft. Average =	$1,991,203 @ $0.61 per Sq.Ft. Average	X 0.516 Average Discount Factor =	$1,027, @ $0. per Sq Aver Round Say $1,02

025,000.00 Land Value ÷ 80.6 Acres = $12,717.00 Per Gross Acre.

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CONCLUSION

Based primarily on this valuation analysis with reasonable support from the comparable market data submitted elsewhere in this report, it is our opinion that the subject land has a market value in "as is" condition, exclusive of any land development costs, subject to a buyer assuming all existing special assessments, estimated as follows:

ONE MILLION TWENTY FIVE THOUSAND DOLLARS----($1,025,000.00)

The following analysis of the $1,025,000.00 real estate investment in the subject land illustrates that the 25% discount rate adequately allows for the expenses that will be incurred by the development of the land so that an adequate "before" and "after" tax yield can be obtained on this investment.

The $1,025,000.00 market value estimate equals about $0.29 per sq.ft. of gross land area and also equals about $12,717.00 per gross acre. This market value level is similar to the prices paid for recent industrial land sales for larger tracts, six of which are submitted as Comparable Market Data - Industrial Land Sales in the addenda of this report. These six projects are summarized as follows:

Sale #	Project	Land Area in Acres and Date of Sale	Price Per Acre	Assessments Paid
* 3.	Industrial park location	15.56 acres 8/30/68	$7,095.00	No
16.	General Mills land	45.5 acres 5/64	$7,057.00	No
17.	General Mills land	30.0 acres 9/64	$7,492.00	No
18.	Dart Industrial Park	100.0+ acres 2/70	$10,000.00	No
20.	Memorex land	50.0 acres 1970	$9,000.00	No
* 21.	Tescom site	30.0 acres 1970	$8,652.00	No

* Adjusted to reflect assumptions of special assessments by buyer.

arket Valuation Analysis - Continued

SUBJECT INDUSTRIAL PARK LAND DEVELOPMENT INVESTMENT YIELD ANALYSIS

INVESTMENT CHARACTERISTICS ANALYZED	Investment Results Received as of July 30 of the Following Years: 1972	1973	1974	1975	1976	Total
1. Gross scheduled income realized from developed land sales:	$653,400	$718,740	$790,614	$869,022	$953,964	$3,985,740
2. Less real estate taxes projected at 4.30% of market value on balance of unsold land:	$ 93,000	$ 54,000	$ 55,000	$ 39,000	$ 19,000	$ 260,000
3. Less land sales or lease commissions or expenses at 10% of first $50,000 + 6.00% of next $450,000 + 3.00% over $500,000; 3 transactions/Yr.; commission on sales price less land development costs on Line #7:	$ 25,600	$ 27,562	$ 29,718	$ 32,051	$ 34,539	$ 149,470
4. Less miscellaneous costs such as legal fees at 0.50% on Line #1:	$ 3,267	$ 3,594	$ 3,953	$ 4,345	$ 4,770	$ 19,929
5. Equals the annual income before paying state and federal corporate income taxes:	$531,533	$633,584	$701,943	$793,626	$895,655	$3,556,341
6. Less the original cost of the land sold (current Market Value "As Is"):	$205,000	$205,000	$205,000	$205,000	$205,000	$1,025,000
7. Less land development cost for the land sold:	$326,700	$359,370	$395,307	$434,838	$478,322	$1,994,537
8. Equals annual income, subject to federal and state corporate non-capital gain income tax rates:	($ 167)	$ 69,214	$101,636	$153,788	$212,333	$ 536,804
9. Corporate income tax @ 22% on first $25,000 + 48% thereafter + 11.33% state tax on balance:	$ -0- (loss to '73)	$ 31,537	$ 49,009	$ 77,115	$108,666	$ 266,327
10. Net spendable income achieved from land sales proceeds equals Line #5 minus Line #9 minus Line #7:	$204,833	$242,677	$257,627	$281,673	$308,667	$1,295,477

11. Total present worth of each annual spendable after-tax income payment discounted to yield 7.75% equals the current "as is" market value excluding any required non-existent or existing land development costs (line #6) equals $1,026,538.00; Rounded to, Say, $1,025,000.00 which equals the estimated market value of the land as of the date of appraisal (line #6) excluding all assessments and land development costs.

It is our opinion that this 7.75% tax-free yield is a minimum yield for the $1,025,000.00 land investment to be economically warranted, but it is sufficient to attract an investor.

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COMMENTS ON THE LAND DEVELOPMENT INVESTMENT YIELD ANALYSIS

The previous investment analysis illustrates the possible results of purchasing the subject property at the $1,025,000.00 market value which assumes all land development costs are assumed by a buyer. This situation is based on the premise that the purchasing entity has the subject real estate as its only asset, and that it will liquidate its investment in that asset over a 5-year period with no other income or expenses available to affect the investment. In this case, the yield would be about 7.75% because no offsetting tax shelter was available to protect the taxable income that would be generated by the land sales or lease program. A feasible situation suggested by the analysis would be for an investor to purchase the subject property because it had excess tax shelter which it could offset against the taxable income generated by the land sales program to result in a larger after-tax return.

A realistic situation involving a probable pruchaser of the subject property at the appraised market value would be a major institutional lender or investor who would be interested in a sale-leaseback type of investment in which they would buy the fee simple interest in the subject property and lease back the land for industrial park development. The sale-leaseback transaction would provide significant necessary tax shelter for the ultimate industrial park development since the ground rent is considered an operating expense and not a capital expense by Internal Revenue Service. The fee simple ownership of land in an industrial development is a non-wasting asset that cannot be depreciated as can the improvements; while for an industrial building leasehold development, a land investment is not necessary and the leasehold investment is an optimum tax-sheltered investment.

The new tax laws now allow only 150% depreciation compared to the past 200% and sum of the year digits method which allowed greater tax shelter, and the land lease program would replace this loss of tax shelter. It is our opinion that the previous "Land Development Investment Yield Analysis" lends a measure of support to the appraised land value since the estimated yields are competitive with alternative investments as noted in the hereinafter submitted investment yield exhibits.

The sale of the subject industrial park land, subject to the 5-year successful development through a limited partnership investment vehicle, could prove to be a good medium through which the sale of the subject property can be achieved for it could be structured to provide an annual dividend for many investors which cannot be obtained in the bond market with land buy-back provisions which when executed would provide capital gains to the limited partnership interests.

I. Real Estate Tax on Land

The base real estate taxes as directed by District Court on the property as of January 2, 1968 payable in 1969 were based on a market value of $1,848,000.00 including a land value of $1,167,600.00.

The payable in 1971 base real estate taxes are $93,056.92 at about 4.30% of the assessor's market value estimate of $2,175,900.00 including land value at $1,569,600.00 @ $19,474.00 per acre or $0.447 per sq.ft. Assuming the same mill rate, the 1972 real estate tax will be the same at about $93,000.00. If the improvements are razed in 1971, the real estate tax for 1973 would probably be based on the assessor's land value of $1,569,600.00 x about 4.30% tax factor x 80% of the remaining unsold land for a tax estimated at $53,994.00; Rounded to, Say, $54,000.00.

I. Real Estate Tax on Land - Cont'd.

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The tax for the year 1974 will be estimated at about:
(45¢ per sq.ft. + 20¢ per sq.ft. special assessments), or
$28,314.00/acre = 45 net acres x 4.30% = $54,768.00; Say, $55,000.00.

The January 2, 1974 assessments payable in 1975 & 1976 will probably be based on a remaining land value of:
(50¢ per sq.ft. + 20¢ per sq.ft. special assessments = 70¢/sq.ft.), or
$30,492.00/acre; Say, $30,000.00 per acre, and shown as follows.

1975 Tax @ $30,000.00/acre x 30 acres x 4.30% = $38,700.00; Say, $39,000.00.

1976 Tax @ $30,000.00/acre x 15 acres x 4.30% = $19,350.00; Say, $19,000.00.

Explanation:

The base real estate tax obligation should be equal to the appropriate mill rate times the assessed valuation. The assessed valuation is required to be equal to 40% of the adjusted market value. The adjusted market value is required to be equal to 33-1/3% of market value. The above relationship can be used to obtain a base real estate tax factor equal to a percentage of real estate market value and this tax factor is calculated as follows:

St. Louis Park Base Real Estate Tax Rate

Base real estate tax = 322.22 payable in 1971 Village of St. Louis Park mill rate.
= 0.32222 x 0.40 x 0.33333 x market value.
= 0.4296 x market value.
= 4.30% of market value.

The projected land values conform with the provisions of the State law, which stipulates that platted acreage will not be valued for more than adjacent equal unplatted land. When utilities and streets are completed, the Assessor typically will increase the taxes based on special assessment value or cost.

II. Realtor's Commission on Land Sales

Recommended Realtor Fee Schedule for Services.
Greater Minneapolis Area Board of Realtors.
(As Revised October 22, 1969).

> "The following schedule of fees is recognized as prevalent in Minneapolis and the suburban area and is recommended as a fair and equitable basis of compensation for Realtor service.
>
> THE SCALE OF RECOMMENDED REALTOR FEES AND CHARGES IS AS FOLLOWS:
>
> FEES ON SALES - ARTICLE (A)
> (All Fees Are Payable At Closing Of Transaction)
>
> Section 1. For making sales of real estate: On all sales of improved property, 6% on the first $500,000, and 3% on the balance over $500,000. On sales of unimproved residential property, 10%. On sales of unimproved commercial and industrial property, 10% on the first $50,000 of value, 6% on the next $450,000, and 3% on balance over $500,000."

III. Land Development Discount Factor

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The discount factor holds the key to the real estate development's financial success or failure. The cost of money invested in the project is reflected by this discount, which can be called a "carrying charge".

Carrying charges can be likened to interest; they represent the financial return the investor rightfully earns from this kind of undertaking. Investor's funds go for land acquisition, and for meeting all direct and indirect development expenses involved in bringing the improved land to the market. Since the risk is great in a land development program, anticipated earnings are expected to be correspondingly high or at least competitive to other real estate investments.

The risk element in carrying charges is directly related to the factor of time. Any land developer is in effect gambling on time; too much of it and his profit is in jeopardy. Once land has been acquired, initial land cost is fixed. The only two variables remaining then, assuming that the sales income and development expenses are in line with estimates, are the carrying charge and developer's profit. Any delays in the land liquidation schedule can result in higher carrying charges and reduction in profits. Conversely, profits can be enhanced if the sales program is accelerated.

It is our opinion that a 25% factor reasonably well reflects the annual rate of discount on retail land sales for a land development program. This rate was selected after studying the after-tax investment yields of other real estate investments which would compete for the same investment dollars that might be attracted to the land development. Since a 100% equity position in a land development offers minimum "tax shelter" opportunities compared to the "tax shelter" available for investments in apartment buildings, office buildings, motels, and other building projects; the factor used to discount future income realized from the sale of developed land at retail prices must be high enough so that after all costs such as income taxes, sales commissions, and real estate taxes are paid, that the after-tax yield would be great enough to warrant the capital investment. It is assumed that the retail land sales would not qualify for capital gains treatment. Federal income taxes will be paid on the difference between sales price less sales commission and miscellaneous costs, less annual real estate taxes, less the book cost of the land which is the original price of the land sold, less any land development costs. The 25% discount factor or present worth factor results in after-tax yields over the land sales period based on the original purchase price which is, in our opinion, a reasonable rate of after-tax yield for the purchase to be considered economically feasible if a land sales program is proposed.

DISCOUNT TABLE

Present Value of a $ Sale at the End of Year:		25% Present Worth Discount Factor:
1	Is Multiplied By	0.800
2	Is Multiplied By	0.640
3	Is Multiplied By	0.512
4	Is Multiplied By	0.410
5	Is Multiplied By	0.328
6	Is Multiplied By	0.262
7	Is Multiplied By	0.210
8	Is Multiplied By	0.168
9	Is Multiplied By	0.134
10	Is Multiplied By	0.107

The discount rates or present worth factors as shown above were obtained from the following source: "Financial Compound Interest and Annuity Tables - Fourth Addition", published by Financial Publishing Company Boston Massachusetts

IV. Land Development Cost Analysis

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Retail land values assume that all expenses necessary to develop the retail land are paid by the developer or seller; and these development costs are summarized for an industrial park land development such as the subject property, as follows:

UNDEVELOPED LAND + the following expenses:

1. Sanitary sewer trunk and lateral.
2. Storm sewer trunk and lateral.
3. Water main trunk and lateral.
4. Streets, curbs, gutters, and sidewalks.
5. Street lighting.
6. Soil correction expense.
7. Real estate taxes over the development period on unsold land.
8. Administrative costs.
9. Legal costs.
10. Engineering costs.
11. Contingencies, bonds, permits, miscellaneous overhead costs.
12. Sales expense at 6% to 10% of retail price.
13. Developer's profit.

EQUALS The Developed Retail Land Price

SOIL CORRECTION ADJUSTMENT

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The hereinafter submitted summary of the preliminary soils investigation of the Republic Creosoting Company's St. Louis Park land reveals that, based on the twenty-three soil borings, an average of about 8 feet of fill & peat exist over the entire tract and that according to our best opinion, the subsoil condition of the 23 borings can be classified as follows:

Very poor	4 Stations	=	17.39%
Poor	7 Stations	=	30.43%
Fair	2 Stations	=	8.70%
Fair to Good	2 Stations	=	8.70%
Good	8 Stations	=	34.78%
Totals	23 Stations	=	100.00%

In addition, a water problem exists over the entire tract of land but there could be a storm sewer available to help alleviate this problem. The conclusions and recommendations of the Soil Engineering Services, Inc. report are hereinafter reproduced in part, and submitted as a part of this appraisal and specifically mention that special foundation procedures would be necessary over approximately 50% of the tract, composed of about 30% of the tract which would need piling of an average depth or length of 31 feet to 32 feet; and 20% of the tract which would need an excavation/backfill method of soil correction which involves removing the poor soils down to good soil, and replacing the excavation with good fill material probably obtained from outside of the subject property. The remaining 50% of the tract has wet and somewhat variable soils which reportedly would support typical industrial buildings but may restrict floor loading capacities to some extent.

Two examples of added development costs for the correction of poor soil problems are hereinafter mentioned.

A.

Gerald Rauenhorst, an industrial park developer, reported in late 1965 that at his Normandale Industrial Park at the northeasterly corner of I-#494 and Normandale Avenue = Highway #100, soil correction costs were needed for the poor soil at that location. He reported that piling cost and peat removal down to 30 feet to 35 feet for the foundation area was about $1.50 per sq.ft. of foundation area; and that removal of peat, down to 10 feet to 12 feet depth, cost about $0.50 per square foot of foundation area; and that roads constructed over the peat cost about $132.50 per lineal foot. These costs are for 1965 and probably would be as much as 25% higher at the present time, to about $1.90 per sq.ft. for piling costs and 62½¢ per sq.ft. for peat removal cost. The fill costs would be an additional cost and would depend upon how far away would be the source of sand and gravel.

B.

An office building located at 2915 Wayzata Boulevard at the southeasterly corner of Xerxes Avenue South, was constructed on poor soil. The 3-level office building had a foundation area of 4,000 square feet. Reportedly, about 86 wooden piles of about 30-ft. length were installed and the extra piling and footing costs amounted to about $8,000.00 at about $2.00 per sq.ft. of foundation area, or equal to $0.65 per square foot for this 12,320 sq.ft. site. This building was constructed in late 1967 and early 1968.

Soil Correction Adjustment - Continued

If a 1 to 3 ratio of ground floor building area to land area is assumed to be representative of typical industrial park developments as suggested by the comparable market data hereinafter submitted, one estimation of soil correction costs for the subject tract reflecting the Soil Engineering Services, Inc. report is calculated as follows:

30% of the tract with piling, strengthened floor slabs, and some soil removal & fill costs @ $2.00 minimum per sq.ft. x 33⅓% of the area + no correction costs for 66⅔% of the area

= 30% x $.66⅔ per square foot = 20.0¢/sq.ft.

Plus 20% of the tract with soil removal & fill replacement and strengthened floor slabs @
20% x ($1.00 per sq.ft. x 33⅓% + 0 x 66⅔%)

= 20% x $.33⅓ per square foot = 6.7¢/sq.ft.

Plus 50% of the tract with only strengthened floor slabs @
50% x ($0.25 per sq.ft. x 33⅓% + 0 x 66⅔%)

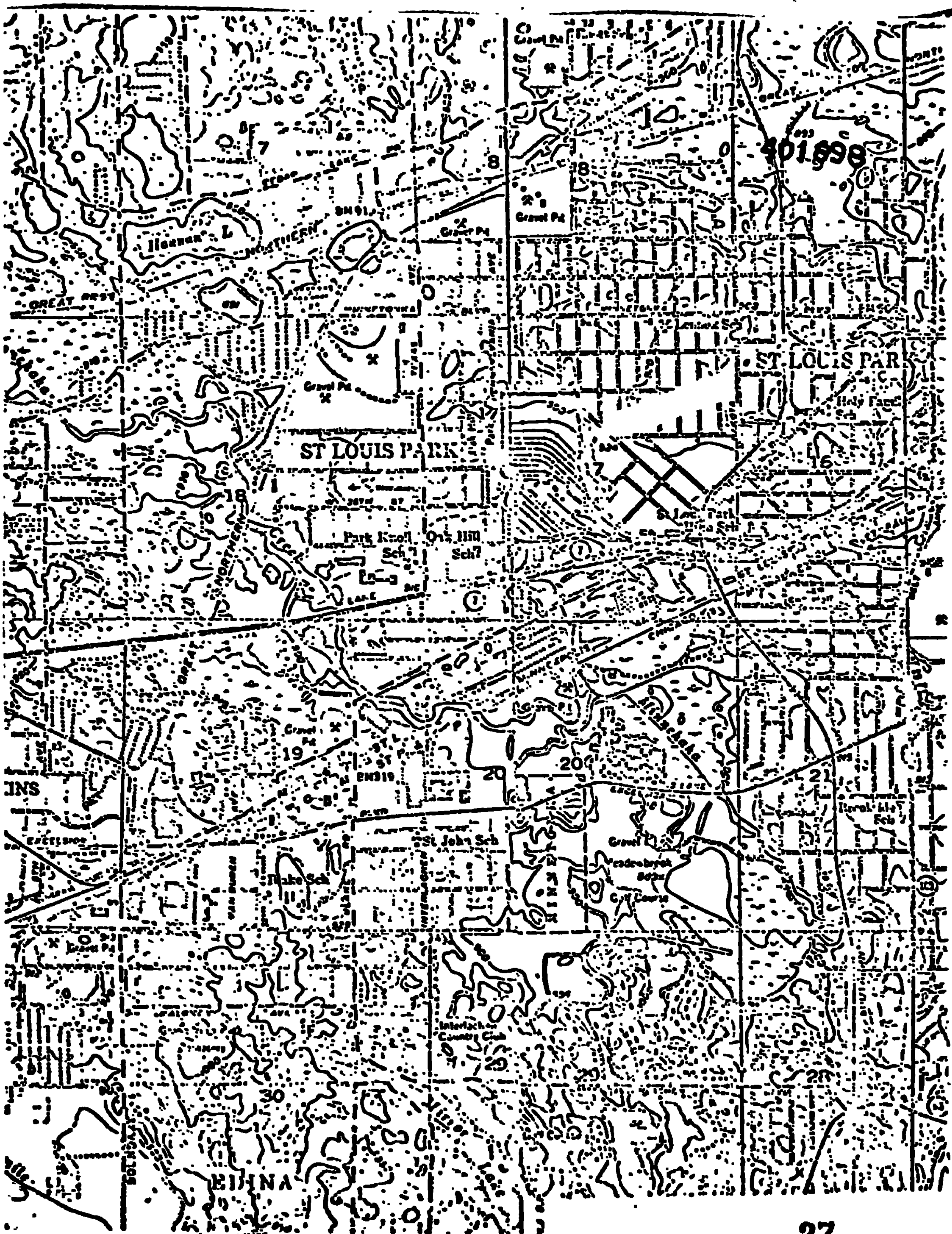
= 50% x $.083 per square foot = 4.2¢/sq.ft.

Weighted Average Soil Correction Costs for the Entire Tract = 30.9¢/sq.ft.

or about $13,460.00 per Acre.

CONCLUSION - SOIL CORRECTION ADJUSTMENT

Based primarily on the data submitted in this report and our other real estate experience, it is our opinion that an approximate soil correction adjustment for the subject tract of land is about $13,000.00 per acre or about $0.30 per square foot of net subject land area applicable to the year 1972, with costs rising at about +10% per year for soil correction costs.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Gravel Pit
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Golf Course
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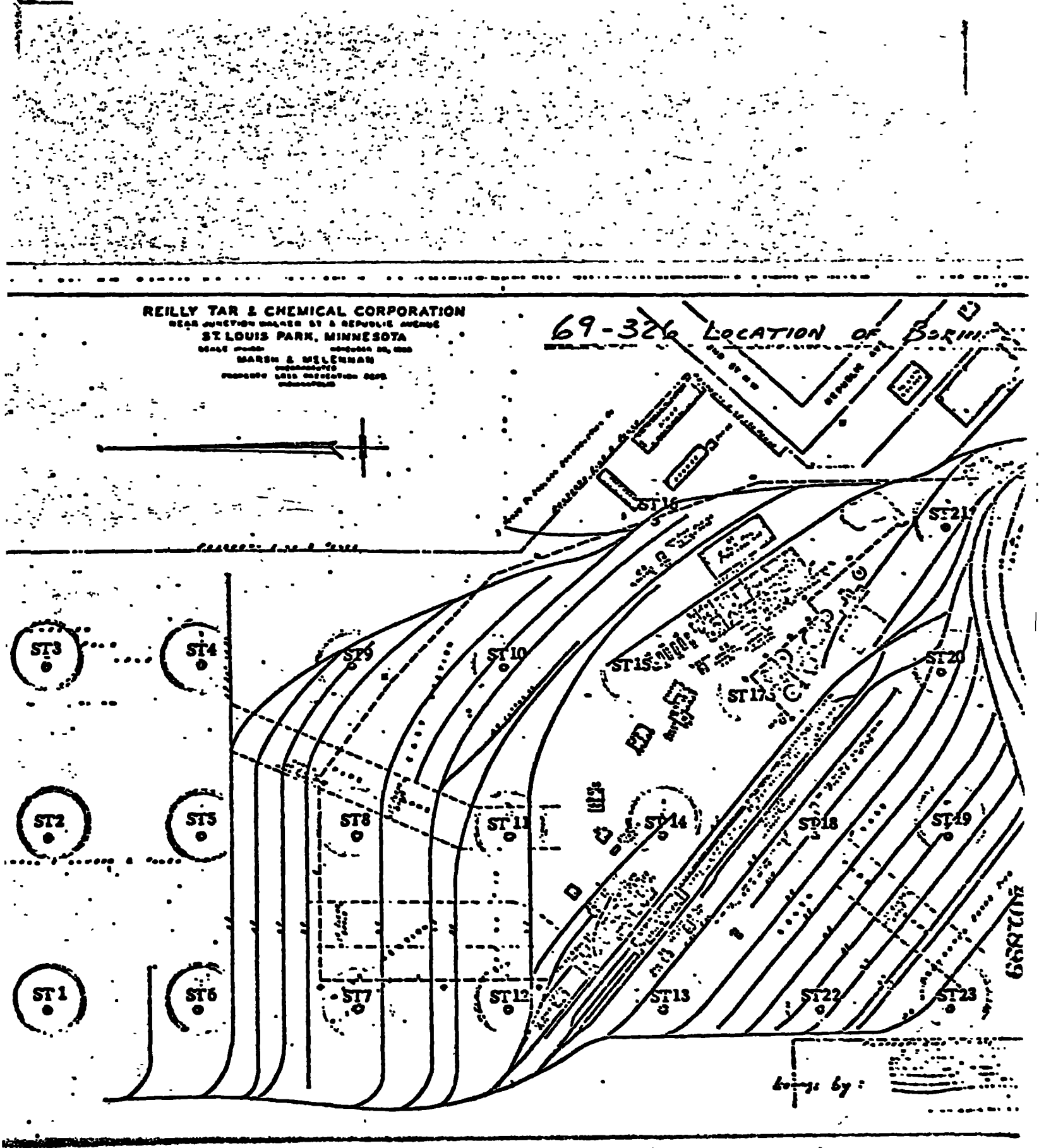
REILLY TAR & CHEMICAL CORPORATION
ST LOUIS PARK, MINNESOTA
MARSH & MCLENNAN
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